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September 15, 2011

State of Washington
 Washington Utilities & Transportation Commission
 1300 S. Evergreen Park Drive
 Olympia, Washington 98504-8002

Attention: Mr. David Danner, Executive Director and Secretary

RE: WN U-29 – Natural Gas Service
Avista’s Annual Purchased Gas Adjustment (PGA)

Enclosed for filing with the Commission is a copy of the following proposed tariff sheets:

Fourteenth Revision Sheet 155 canceling Thirteenth Revision Sheet 155
 Tenth Revision Sheet 150 canceling Ninth Revision Sheet 150

The Company requests that the proposed tariff sheets be made effective on November 1, 2011.

This filing reflects the Company’s proposed annual Purchased Gas Cost Adjustment (PGA) to: 1) pass through changes in the estimated cost of natural gas for the forthcoming year (Schedule 150), and 2) revise the amortization rate(s) to refund or collect the balance of deferred gas costs (Schedule 155). Below is a table summarizing the proposed changes reflected in this filing.

<u>Service</u>	<u>Sch. No.</u>	<u>Commodity Change per therm</u>	<u>Demand Change per thm</u>	<u>Total Sch. 150 Change</u>	<u>Sch. 155 Amort. per therm</u>	<u>Total Rate Change per therm</u>	<u>Percent Change</u>
General	101	(\$0.04546)	\$0.00768	(\$0.03778)	\$0.04841	\$0.01063	1.3%
Large General	111	(\$0.04546)	\$0.00729	(\$0.03817)	\$0.05011	\$0.01194	1.6%
Ex. Large General	121	(\$0.04546)	\$0.00639	(\$0.03907)	\$0.04919	\$0.01012	1.5%
Interruptible	131	(\$0.04546)	\$0.00451	(\$0.04095)	\$0.03941	(\$0.00154)	(0.3%)
Transportation	146	\$0.00000	\$0.00000	\$0.00000	\$0.00005	\$0.00005	0.1%

Commodity Costs

As shown in the table above, the estimated commodity cost (WACOG) change is a *decrease* of 4.6 cents per therm. The proposed WACOG is 43.4 cents per therm compared to the present WACOG of 48.0 cents per therm included in rates. The Company’s natural gas procurement plan uses a diversified approach to procure gas for the coming PGA year. While the plan generally incorporates a structured approach for the hedging portion of the portfolio, the Company exercises flexibility and discretion in all areas of the plan based on changes in the wholesale market. The Company typically meets with the Commission Staff at least semi-annually to discuss the state of the wholesale market

and the status of the Company's procurement plan. In addition, the Company communicates with Staff when it believes it makes sense to deviate from its procurement plan and/or opportunities arise in the market.

Avista has been hedging gas on both a periodic basis throughout 2011 for the forthcoming PGA year. Approximately 70% of estimated annual load requirements for the PGA year (November 2011 through October 2012) will be hedged at a fixed price, comprised of: 1) 28% of volumes hedged for a term of one year or less, 2) 20% of volumes from prior multi-year hedges, and 3) 22% of volumes from underground storage. Through August 22, 2011, the planned hedge volumes for the PGA year have been executed at a weighted average price of \$4.92 per dekatherm (\$0.492 per therm).

The Company used a 30-day historical average of forward prices (ending August 22, 2011) by supply basin to develop an estimated cost associated with index/spot purchases. The estimated monthly volumes to be purchased by basin are multiplied by the (30-day) average historical forward price for the corresponding month and basin. These index/spot volumes represent approximately 30% of estimated annual load requirements for the coming year and the annual weighted average price for these volumes is \$3.89 per dekatherm.

Available underground storage capacity at Jackson Prairie represents approximately 22% of annual load requirements (38% of load requirements during the December to March withdrawal period). The estimated weighted average cost for all storage volumes is \$3.86 per dekatherm. On average daily wholesale prices of natural gas have stayed at levels similar to 2010, However, the cash prices experienced over the storage injection season (April – September) have been slightly higher than 2010. This increased pricing level has caused the storage WACOG to be higher than what is currently in rates. While cash prices are currently higher than levels experience a year ago, the forward prices for the upcoming PGA year have declined since last year. This decline has provided the opportunity to hedge natural gas at a cost below what is embedded in rates. The decrease in the cost of hedges more than offsets the increase in the storage WACOG.

Demand Costs

The Demand Costs shown in the table above primarily represents the cost of pipeline transportation to the Company's system. As shown in the table above, there is a slight increase which is due to, in part, a proposed rate case settlement between Gas Transmission Northwest and their shippers (including Avista). The proposed settlement will be filed with FERC in the coming weeks, and the Company does not foresee any reason for the proposed settlement to be rejected or modified.

Schedule 155 / Amortization Rate Change

As shown in the table above, the proposed change in the amortization rates are an increase of approximately 5.0 cents per therm (except for Schedule 131). This increase is a result of the large one-year refund amortization rate from the 2010 PGA being replaced by a smaller one-year amortization rate. The larger refund balance from the prior PGA was almost totally amortized in the current PGA year resulting in a reduction in the refund amortization rate in this PGA. This reduction, coupled with current refund balances of \$5.1 million, results in an increase of approximately 5.0 cents per therm in Schedule 155.

Jackson Prairie

In the Settlement Stipulation approved in Order No. 7 by the Commission in Dockets UE-100467 and UG-100468 (consolidated), at page 12, it states:

The pro formed Jackson Prairie working gas inventory for the additional storage effective May 1, 2011, and associated additional operations and maintenance costs, were removed from the revenue requirement and rate base. The revenue requirement associated with Avista's rate of return applied to the actual balance of the additional JP working gas inventory applicable to Washington gas operations shall be calculated as a deferred cost beginning May 1, 2011 to be recovered in the Company's future PGA filings starting with Avista's fall 2011 PGA filing, until recovered in base rates in a subsequent general rate case. In addition, the additional operations and maintenance costs shall be recorded in the Company's PGA deferrals for later recovery in rates until those costs are included in base retail rates.

Consistent with this requirement, the Company has included the Washington portion of the revenue requirement associated with Avista's rate of return applied to the actual balance of the additional JP working gas inventory, as well as the additional operations and maintenance costs, from May 1, 2011 through June 30, 2011, in this PGA request.

Other Information

The annual revenue change reflected in this filing is an increase of \$1.5 million, or an increase in annual gas revenue of 0.96%. The average residential or small commercial customer using 67 therms per month will see an increase of \$0.72 per month, or approximately 1.16%. The present bill for 67 therms is \$62.33 while the proposed bill is \$63.05.

Also enclosed are the workpapers supporting the proposed rate changes and a media release which will be issued coincident with this filing. The Company will also send a bill insert to customers regarding the proposed increase prior to November 1.

If you have any questions regarding this filing, please call Craig Bertholf at 509-495-4124 or Patrick Ehrbar at 509-495-8620.

Sincerely,



Kelly O. Norwood
Vice President, State & Federal Regulation

enclosures

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have served Avista Corporation's Tariff WUTC WN-U-29 Natural Gas Service by mailing a copy thereof, postage prepaid to the following:

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Cable Huston Benedict Haagensen & Lloyd, LLP
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Northwest Industrial Gas Users
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Lake Oswego, OR 97035-1827

Washington Utilities & Transportation Commission
David W. Danner, Executive Director and Secretary
1300 Evergreen Park Dr. SW
Olympia, WA 98504
Sent via the UTC Web Portal

Mr. Simon ffitch
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Spokane County
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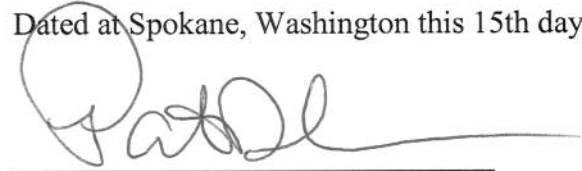
Washington Department of Corrections
PO Box 1899
Airway Heights, WA 99001

Franz Bakery
Attn: Jim Groenenthal
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Spokane, WA 99212

St. Lukes
Attn: Accounts Payable
PO Box 469
Spokane, WA 99210

Quarry Tile
6328 East Utah
Spokane Valley, WA 99212

Dated at Spokane, Washington this 15th day of September 2011.



Patrick Ehrbar
Manager, Rates & Tariffs